

Assurance and Ethics on Sustainability Reports



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Agenda

- Setting the scene
- Sustainability Assurance: ISSA 5000
- Ethics in Sustainability: the IESBA Code changes
- 4 Challenges and Opportunities for SMPs/SMEs
- IFAC capacity building resources for SMPs and SMEs

Setting the scene

Rapidly changing environment:

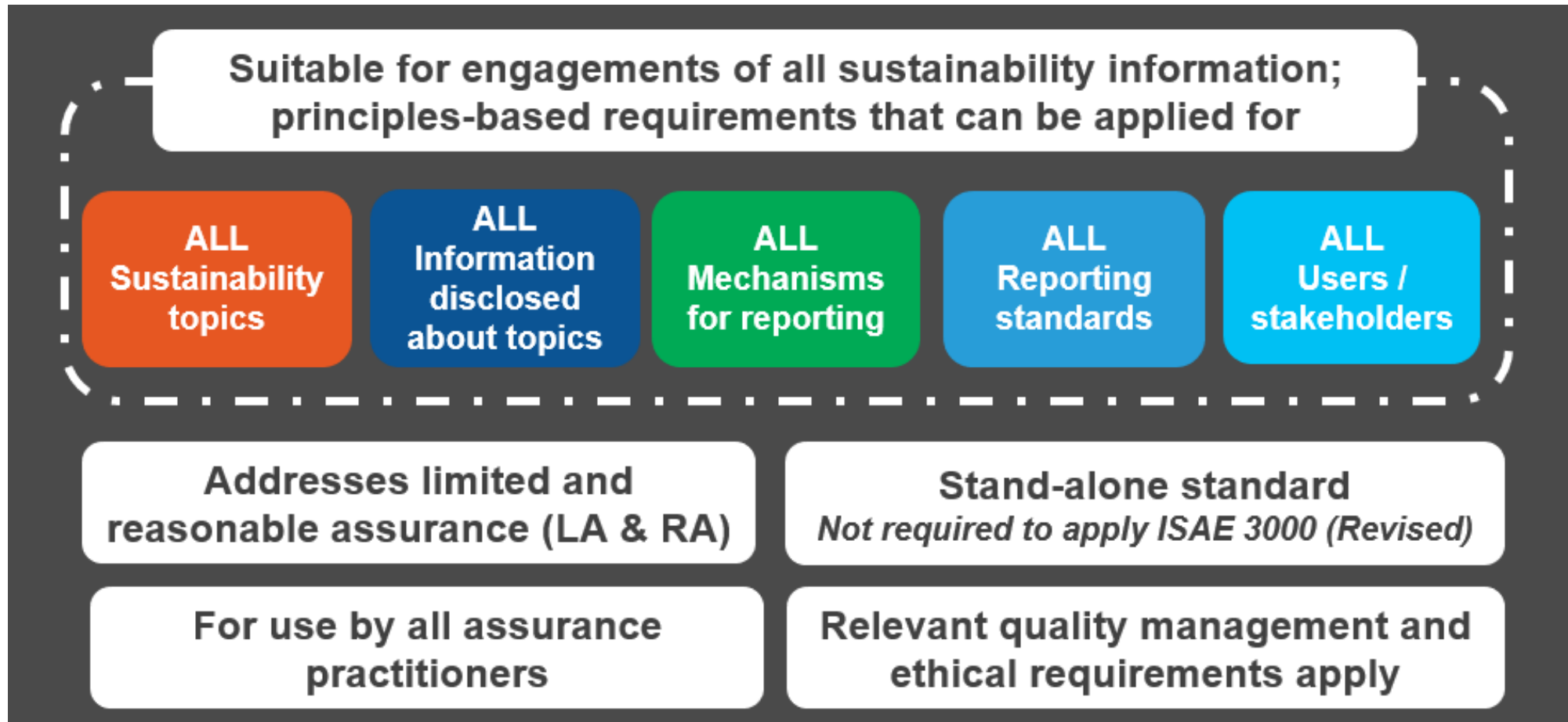
- ISSB global sustainability disclosure standards
 - *S1 General Requirements for Disclosure of Sustainability-related Financial Information*
 - *S2 Climate-related Disclosures*
- Proposed International Assurance and Ethics Standards intended to be finalized in 2024
- Initiatives elsewhere may have global implications- EU are seeking to drive behaviors with CSRD and European Sustainability Reporting Standards.





Sustainability Assurance: ISSA 5000

Scope of Overarching Standard: Proposed ISSA 5000



Main Content - Requirements

- Acceptance and Continuance of the Assurance Engagement
- Firm-level Quality Management
- Engagement-level Quality Management
- Fraud and Non-Compliance with Law or Regulation
- Communication with Management, Those Charged with Governance and Others
- Documentation
- Preconditions for an Assurance Engagement
- Terms of the Assurance Engagement

- * Evidence
 - Planning
 - Risk Procedures
 - Responding to Risks of Material Misstatement
 - Accumulation and Consideration of Identified Misstatements
 - Evaluating the Description of Applicable Criteria
 - Subsequent Events
 - Written Representations from Management and Those Charged with Governance
 - Other Information
 - Forming the Assurance Conclusion
 - Preparing the Assurance Report

Progress to date & Next Steps

- September 2022: IAASB Issues Project Proposal
- July 2023: ED for proposed ISSA 5000 issued
- July & August 2024: Development of final pronouncement and implementation guidance
- Sep 2024 IAASB Board meeting: Second full read and approval of ISSA 5000
- October – December 2024: Finalization of implementation guidance
- December 2024: PIOB certification and ISSA 5000 published



IAASB Non-Authoritative Guidance

Material to Support Release of ISSA 5000

Implementation Support Materials	Timing of Publication
Basis for Conclusions	To be issued with the final standard after PIOB certification of ISSA 5000
Fact Sheet	
Implementation Guidance	
Non-authoritative guidance on the scope and applicability of ISSA 5000 (targeted at jurisdictions)	To be issued in due course after ISSA 5000 is published
Non-authoritative guidance on quality management relevant to sustainability assurance	
Updated ISSA 5000 FAQs	



**Ethics in Sustainability:
the IESBA Code changes**

Where does ethics fit?

Sustainability Reporting and Assurance

Standardized approach for **reporting** information



Reliable, comparable and decision-useful information

Reporting Standards

Standardized approach for providing independent **assurance**



Credible and trustworthy information

Assurance Standards

Ethical mindset and behaviors to guide judgments and drive actions



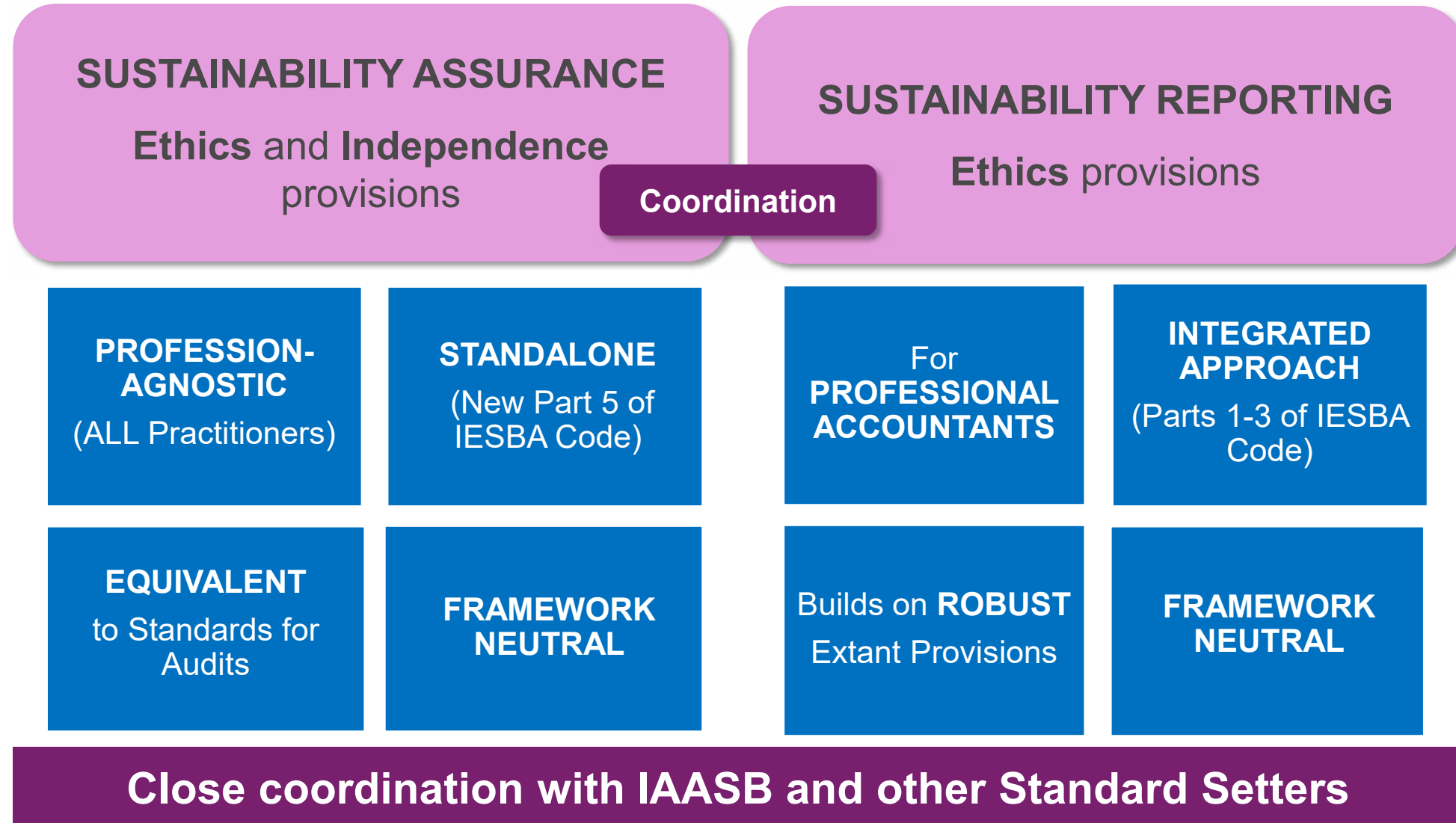
Trustworthy information that is factual and not misleading

IESBA – Ethics and Independence Standards

Includes standard for using the work of an external expert



IESBA's Sustainability Exposure Draft



The IESBA Code

For Professional Accountants

For Sustainability Assurance Practitioners

PART 1

Complying with the Code, the Fundamental Principles, and the Conceptual Framework

(All Professional Accountants)
Section 100-199

PART 2

Professional Accountants in Business (PAIBs)

Part 2 is also applicable to individual PAPPs when performing professional activities pursuant to their relationship with the firm

PART 3

Professional Accountants in Public Practice (PAPPs)

Section 300-399

PART 4A

International Independence Standards

Independence for Audits and Reviews

PART 4B

International Independence Standards

Independence for Assurance Engagements other than Audit Engagements, Review Engagements, and Sustainability Assurance

PART 5

International Ethics Standards for Sustainability Assurance (including international Independence Standards)

For Sustainability Assurance Engagements Scoped to Part 5

December 2024



**4 Challenges and
Opportunities for
SMPs and SMEs**



Four for SMPs and SMEs

1. Champion Integrated Mindset

- Equal footing with financial & performance goals
- Bridge information silos (finance and others)
- Build connectivity and integration in reporting

2. Global Baseline for Reporting

- IFRS S1 & S2 important for consistency and comparability
- Imposing mandatory sustainability reporting on SMEs would create significant burden
- SMEs will be impacted through sustainability information requests in their value chains

Four for SMPs and SMEs


3. Ethics, Assurance & Independence

- High quality assurance through ISSA 5000
- Sustainability specific IESBA Code (independence & ethics)
- Level playing field and public interest

4. Capacity Building

- Awareness raising- global vision
- Education and research to ensure quality
- Mindset change and systems, processes, controls





**IFAC capacity building
resources for SMPs and SMEs**

Sustainability & Small Businesses



- **Small Businesses:**
 - Have an environmental impact
 - Critical source of employment
 - Embedded in local communities

[🔗 Sustainability Information for Small Businesses – The Opportunity for Practitioners](#)

Future-proof the business:

- Identifying sustainability related risks & opportunities
- Enable better-informed business decisions
- Areas for improving efficiencies and performance, lower costs and differentiate from competition

Have readily available, relevant & reliable sustainability information – for management use

Maximize positive social impact and minimize impact on the environment

SMPs – trusted business advisers providing advisory services



Reporting on sustainability information to external stakeholders and business partners who are demanding it



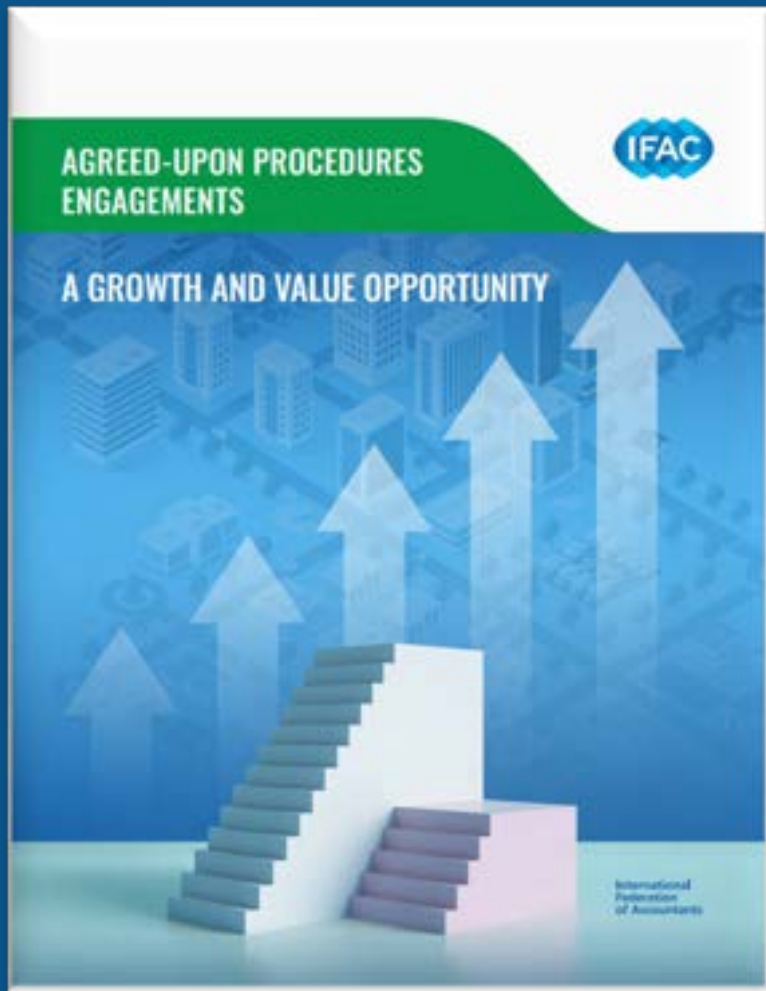
Increase in supply-chain sustainability info requests and from finance providers



Attracting talent

SMEs will respond differently depending on:

- Size
- Sector
- Ownership & business model
- Available resources



AUP & Assurance

- AUP engagements can be performed on both financial and non-financial subject matters using ISRS 4400
- Independent assurance enhances the credibility and trust in sustainability information

[📎 Agreed-Upon Procedures Engagements – A Growth and Value Opportunity](#)

IFAC SB Sustainability Checklist

Diagnostic Tool

- Identify sustainability areas, risks & opportunities

Environmental

- Data on GHG emissions and carbon footprint
- Ways to reduce resources, energy use & waste

Social Responsibility

- Health, safety, human rights and welfare of employees
- Diversity, equity and inclusion

Governance

- Procurement processes
- Risk management framework



The Business Case for SMEs...and SMPs!

Get thinking about risks and opportunities you can't avoid in future

Proactively address growing reporting requirements

Improve efficiencies and performance

Attract customers and staff

Point of differentiation

Improved reputation or compliance



Is it suitable for my clients?

- ✓ Checklist fairly comprehensive for smallest businesses
- ✓ Can be tailored and used as appropriate
- ✓ Start by thinking about the aims of your client...or your practice!
- ✓ Do not need to apply whole checklist in one go- identify the actions that support your aims and implement
- ✓ A lot of easy wins, good for business and good for sustainability
- ✓ Think about how you will measure and report success



Sustainability @ SMPAG

Mark De Lat – Case Study of developing a sustainability practice in an SMP

- Preparing clients for requirements and 5 steps for helping clients on their journey

Giancarlo Attolini – Transitioning an SMP to the B Corporation Model

- May seem daunting, but there are many easy steps SMPs can start to take

Julien Cassegrain – Insights for SMPs on Sustainability Service Delivery

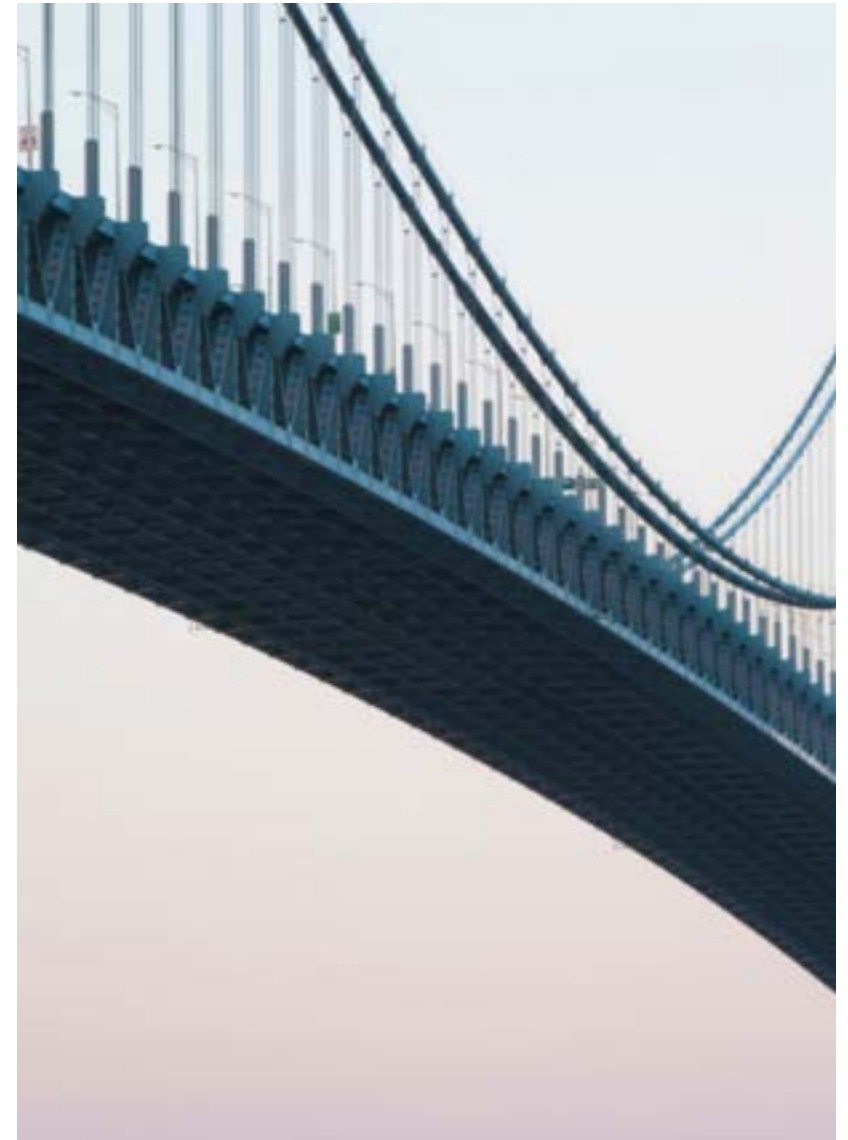
- Measurement is critical to making the right decisions

Sustainability @ Gateway

Rising to the Challenges of Sustainability: New Opportunities for Supporting Small Businesses
Interpreting IFAC's 4 Challenges and Opportunities for the profession for SMEs and SMPs

The Value of Sustainable Practices at SMEs: A View from Pakistan

Some examples of how introducing sustainable practices have helped SMEs in Pakistan



Wider IFAC Sustainability Activities/ Resources

- Sustainability Resources
 - Education & Training, Advisory, Reporting, Assurance
- Sustainability Standards | IFAC
 - Time for Action on Sustainability
- Sustainability Assurance | IFAC
 - The State of Play: Sustainability Disclosure & Assurance, Trends and Analysis
 - The State of Play: Beyond the G20



SMP Practice Transformation

Practice Transformation Action Plan – A Roadmap to the Future

- Leverage Technology
- Focus on Talent Management
- Evolve the Firm Operating Model and
- Build Advisory Services

